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Barlow Prize Thesis
COOPERATIVE MARKETING ASSOCIATIONS, A FACTOR IN
AGRICULTURAL ADVANCEMENT

SUBMITTED IN COMPETITION FOR THE
THOMAS W. BARLOW PRIZE

BY

M. C. TUCKER *Read by C. G. [illegible]*

THE PENNSYLVANIA STATE COLLEGE

1911

4909

ANALYTICAL

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Cooperative Marketing Associations a Factor in
Agricultural Advancement.

-- Introduction --

Cooperation is as old as civilization. It may take many forms. It may be productive, religious, educational, social or economic in respect to buying and selling goods and making loans or providing insurance. All of these forms have been tried to some extent in America. The early settlers were forced to cooperate in many ways to maintain their civilization in a wild continent. The present generation finds it equally helpful.

Cooperation is not a trust or a monopoly. The difference is to be found in the aims. The trust aims to secure dividends on capital while the aim of cooperation is to secure dividends on labor. Neither is cooperation a new plan of transacting business nor a sure way to large returns without any effort on the part of the cooperator. It is in no way removed from the principles that underlie success in any business undertaking. There are many so-called cooperative units in existence today which are in reality something different. Some are called stock companies in which a few persons control and the remainder become patrons, while others are mere share holding associations.

True cooperation is a simple matter. Smith, a prosperous farmer and a keen business man, we will suppose, has thirty fat hogs ready for market. He finds the price which the local butcher is willing to pay much below what he thinks they should bring. He calls neighbor Jones on the telephone and learns that he has twenty hogs which are ready to market. These

two lots would not be enough to fill a car so they get into touch with their common neighbor Brown, who agrees to put in his hogs also. A car is obtained, each man bears his share of the expenses, and each receives of the returns his proportionate share. This is a case of business co-operation for it fills all the conditions of the following simple definition: A cooperative association is one in which all members take an active part in government and control, and share in just proportion in the returns.

Such business cooperation as I have just described is much more common among the American farmers today than most people are aware. It is without question a great factor in raising the economic condition of the cooperators. The aim of this paper is to go beyond this form of spontaneous cooperation and show something of the conditions and limitations that govern more highly organized associations where a permanent constitution and by-laws are adopted and where there is an effort made to go out into the general market and compete against the highly organized selling system of the middlemen.

-- Chapter I --

Conditions and Limitations of Cooperative Marketing Associations.

Each country has its peculiar economic conditions which determine the character of its business institutions. The American farmer, it is true, is sometimes found far down the scale of financial status yet in general his economic conditions is in advance of his other conditions. The average American farmer is prosperous enough to feel that he can conduct his own

business without depending upon the cooperation of his neighbor. Unless he is forced into cooperation as his only salvation, as we shall show later has been the case in several places, he would rather run the risk of some loss and feel complete freedom of action than become a unit in an association. The psychology of the American farmer in the last analysis is the determining factor.

In other countries there are conditions to be found which foster cooperation. This is the case in many of the European countries where there is a peasantry ground down by the economic systems to a status where the farmer is not able independently to buy his own supplies. Here cooperation brings to the farmer a part of the "rights" of a citizen which our American farmer possesses already by virtue of citizenship in a free republic.

This does not prove that the American farmer cannot be helped by cooperation. It merely means that it is not needed to secure for him such privileges of citizenship. He can still exercise all these privileges and enjoy the benefits of cooperation. We must not wonder, then, that our farmers do not fall into complete cooperative organization as rapidly as have the farmers of Denmark and other countries. When conditions are such that cooperation is a necessity American farmers form associations successfully, as we shall show later when we treat of some particular instances.

-- Requisites of a Successful Association --

Beside these general considerations there are many other requisites for the success of a cooperative marketing association. In the first place there must be such a quantity of produce as to make it necessary to organize. It would not pay a few growers of limited power of production to go to the expense and trouble of forming a permanent organization. The

crop which was the occasion of the organization of the Jefferson County Produce Exchange of Louisville, Ky., totaled about two thousand cars of potatoes and five hundred cars of onion sets.

Capital is also an important consideration. If an association hopes to be uniformly successful it must be fitted to meet the competition of the large city markets and this requires the backing of considerable capital. A glance at the capitalization of some of the most successful exchanges will show that they are not meagre sums. The Long Island Potato Exchange has a capitalization of \$20,000.00 while that of the Monmouth County Farmers' Exchange is \$100,000.00.

The greatest difficulty in establishing a successful association is the education of the members to a realization of the difficulties which are to be removed. Mr. H. R. Whiteside, of Louisville, Ky., in a letter to the writer made this statement. "One thing that is always wanting in growers' organization is a lack of definiteness of purpose. They do not know exactly what it is they are trying to do" A failure upon the part of the cooperators to thoroughly understand their business leads to misunderstanding and dissatisfaction and is frequently the cause of the downfall of the entire enterprise.

Loyalty to the association can hardly be overestimated in its importance. No good cause was ever started that had not its faultfinders. There are always a number of people who see only a plan to injure somebody in any move for bettering rural conditions. These persons will work upon the members of the association and those whose strength of purpose is not very strong will often waver. If a few prove false to their promises in the very beginning the entire organization is often shattered. If enough members remain

loyal to carry through the plan and punish the weak ones by taking from them the benefits that might have been theirs the success of the enterprise is practically insured. In general the success of cooperation is in exact proportion to the willingness of the members to stand by their organization.

Above all good leadership is essential. The western fruit associations were quick to realize this and much of their success can be attributed to this efficient leadership. They demand that the manager be a man of recognized business ability, and one who is honest and fearless in his dealings with his fellow-men. The man who manages a selling business for farmers that runs into thousands of dollars must have as much ability as the sales manager of any other enterprise of the same size, and he should command the same salary. A business manager of the right type can do much to educate the members to know the real problems of the business and he can keep up their enthusiasm. Upon him will depend very largely the reputation of the association among the business men with which it would deal.

-Benefits of Cooperative Marketing through Permanent Associations-

The list of benefits to be derived from marketing through a permanent cooperative union is a long one. A few of them are given below:

(1) Cooperative marketing gives an advantage to the individual grower that he does not possess unless he is producing on a very large scale. The average grower lacks the business experience that is needed to go with the competition of the large markets. He is not able to establish for himself a reputation on a large market because he does not have enough produce. The association supplies both of these qualifications and the grower reaps the benefits.

(2) Cooperative marketing helps to close the gap between the price which the grower receives and that which the consumer pays. This means more satisfaction for both parties.

(3) The association can study the wants of the customer better than the individual. This knowledge is essential in all other lines of commercial enterprise and has been much neglected in the case of agricultural products.

(4) Buyers prefer to buy from unions rather than from individuals because they can expect uniform and honest packing and upright business methods.

(5) Cooperative Associations, well managed, attract able men. The Hood River Apple Growers' Union alone numbers ninety agricultural college men in its ranks. The scientific knowledge that these men bring into the industry will be a powerful factor in its advancement.

(6) Specialism is induced by cooperative enterprise. The association soon finds out what varieties are most profitable under all considerations and the members adopt those varieties. At present the growers of Hood River are growing extensively but two varieties of apples, Spitzenberg, and Yellow Newtown, and one variety of strawberries, Hood River. The same condition holds in the East to a less marked extent.

(7) Cooperative Associations are active in promoting fairs and shows. These attract buyers from a distance and serve to bring the section of the country in which they are held before the eyes of the people. The great reputation of the western apple in all parts of the country is very largely due to the big apple shows of the Northwest.

(8) Uniform grading is secured as a result of cooperative marketing. It is one of the fundamental principles of the system that grading be honest and strictly uniform.

(9) Glutting of certain markets is prevented by cooperation. Many individuals

watching the market conditions often ship to a place where prices are temporarily high with the result that the market is completely flooded and the bottom drops out. This is avoided when the growers are marketing their produce through a union which has at its command a complete knowledge of market conditions.

(10) The association has a distinct advantage in being able to ship mixed cars. We will suppose a grower of cucumbers and a grower of tomatoes were to ship each a carload of his particular product to Philadelphia when some merchant in a town along the route would be buying a mixed car of the two products. The cooperative association would put up the mixed car, bill it directly to the final purchaser, and save the additional return transportation charges as so much net gain to the growers.

(11) The union is in position to receive daily quotations from all markets of the world.

(12) It has power to change the destination of a car enroute in case of a glutted market.

(13) It can handle the problems of shipping and storage more cheaply than an individual.

(14) Loading of cars can be given personal attention by representatives of the cooperative association.

(15) The union saves money for its members by buying supplies for them at wholesale.

(16) It is enabled to do extensive advertising.

(17) Finally, it brings better prices and larger net returns. The prices of Spitzenbergs to the growers in Hood River Valley were raised from eighty five cents per box in 1902 to \$2.60 per box in 1905. This is only one example of many that might be cited to show the effects of cooperative marketing upon the price to the grower. It is this benefit that is the primary reason for the existence of the system.

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- Chapter II -

-- Examples of Modern Cooperative Associations --

In this chapter it is our purpose to present some descriptions of cooperative associations as they are working at the present time. The data was collected from two sources, the current agricultural press, and from personal letters to the managers of the various associations.

- Milkmen's Cooperative Association of Erie -

This association was formed about twelve years ago in the neighborhood of Erie, Pennsylvania. At first it was opposed, as every good move is. The consumers thought that the producers would sooner or later form a combine and raise the price; the majority of producers thought that success should be achieved before they joined. About sixty producers were willing, however, to agree to consolidate their interests for a period of five years.

The plan of organization was briefly this. The association agreed to take each man's business at \$3.00 a quart and issue stock for the full amount in shares valued at \$50.00 each. That is, a dealer who could deliver one hundred and fifty quarts per day would be entitled to \$450.00 worth of stock, or nine shares. Each share entitles the holder to deliver daily sixteen and two-third quarts. This is called the contract milk and for the last five years has been paid for at the rate of three and three-fourth cents per quart; surplus milk brought three cents.

The contract is very binding and also stipulates that no party to the agreement shall sell directly or indirectly in the city or within a radius of three miles during the five years of the contract. Mr. Willis, the president, makes the point that if the contract had not been made as strong as it

was the venture would have been a miserable failure.

At the start the association rented an old market house to which all members delivered their milk. All of the old customers of the individual dealers were retained but the routes were remapped so that no two wagons delivered in the same territory. A little difficulty was experienced the first week until the drivers became adjusted to the new system but after that no trouble was encountered along this line.

The concern soon outgrew its old quarters and bought a tract of ground with one hundred feet front on two parallel streets near the center of the city and only a short distance from electric and steam railway accommodations. Upon this location was erected a brick building costing \$26,000.00 with an equipment worth \$13,000.00.

All milk upon arrival is inspected for odors by a competent inspector. If in perfect condition it is run through a separator and standardized by adding about four per cent of cream to the skimmed milk. The product is then remixed and is ready for sale. About eighty five per cent of the milk is bottled and the remainder handled to restaurants, boarding houses, etc., in cans. That which is unsold is returned to the factory and utilized in various ways.

Large quantities of cream are bought from non-members. Some comes by trolley a distance of forty miles. A considerable quantity is made into ice cream, of which the association has a large sale. They also manufacture and sell schmier kase, buttermilk, butter, and dry curd. In the first three years there was an annual loss of \$2000.00 from skimmed milk which could not be utilized. This is all saved in the new building. The association also manufactures its own ice and buys salt and other supplies in car lots which represents a large saving.

A few figures will give some idea of the scope of the business. More than ten thousand quarts of milk are handled daily beside large quantities of cream. Over fifty people are given steady employment. In 1909 the business amounted to \$225,000.00. The shares of stock which were valued at \$50.00 cannot be bought at any figure near that at present.

The association has been a success in every way. The cost of hauling the milk to the city and delivering it has been greatly reduced. The residents of Erie have been supplied with much better service and a more uniform product. Every cooperator who has stuck with the enterprise has made money. A few dropped out when the price of the Company's milk fell below that of outside dealers, early in the history of the association, but this was a benefit rather than an injury for it dispensed with the weaker members and strengthened the organization. By the help of the association the dairymen have been able to produce a better quality of milk and realize greater returns from it because every pint is disposed of at a profit. The enterprise is no more in the experimental stage; it has a decade of success behind it and is stronger than ever before.

-- Monmouth County Farmers' Exchange --

New Jersey is fast taking a lead in cooperative marketing. We have chosen the Monmouth County Farmers' Exchange as a typical association from the many that are in successful operation. The aim in forming the association was to enable the farmers to market their produce at minimum expense and the degree of success attained can be measured from the following facts taken from the report of the manager for the year 1910.

The active work of the year began in handling the orders for fertilizer and other supplies. The exchange goes farther than marketing and

buys at wholesale for its members. In the case of fertilizers it is even manufacturing at a saving of \$3.00 to \$4.00 per ton to the members. This business kept the exchange busy until February when the first shipment of two hundred and eleven crates of cranberries was made. From this date until November 30th shipments of products continued without interruption. For several days during August and September the shipments averaged fifty to sixty cars per day. On August 12th the business amounted to over \$30,000.00. Eighty five cars were required and one hundred could have been used that day.

The potato crop of 1910 was the largest that this section of New Jersey had ever known. By the aid of the exchange a higher average price was realized by the Monmouth growers than was received by most of the potato sections along the eastern coast. The average price paid to the farmer was \$1.35 per bbl.

During the year the facilities for mixing fertilizers at the various points of operation have been enlarged so that now the exchange is equipped to do a business of five thousand tons of fertilizer per year. Wagon scales and offices have been erected at four new towns in the territory of the exchange. The Western Union Telegraph Company established an office with their own operator in the General Office of the exchange. This added greatly to the efficiency of the service and was satisfactory to both parties. The number of shipping points was increased from sixteen to twenty-two in one year.

The membership numbers eight hundred with indications of reaching one thousand soon. The capital stock increased from \$31,275 at the close of 1909 to \$49,370 at the end of 1910. The stock was selling at par at this time but indications were strong that it would soon go above.

A statement of the amount of business shows the total to have been \$917,562.64. The net profit was twenty-nine per cent of the capital stock. The number of packages handled was:

441,198	bbls. potatoes
4,029	" apples
1,883	" pears
16,937	baskets apples
1,500	" pears
3,596	bbls pickles
69	baskets pickles
509	crates of tomatoes
591	" " berries
120	bbls melons
210	baskets melons
1,617	packages miscellaneous
8,578	crates asparagus (205,883 bunches)
350	crates celery
211	" cranberries
4,000	bales hay and straw
485,488	Total, an increase over 1909 of 243,717; over 1908 and 1909 together 39,788.

There was a total of 2,575 cars of farm produce shipped. The goods went to one hundred and thirty six cities, in twenty-two states, and one foreign country.

The constitution and by-laws of the exchange which were approved in 1908 are as follows:-

****CONSTITUTION****

ARTICLE I.

Name.

Sec. I. This Association shall be known as the "Monmouth County Farmers Exchange", and incorporated under the laws of the State of New Jersey.

ARTICLE II.

Object.

Sec. I. Its object shall be the buying, selling and handling of produce, the selling and consigning of produce as agent of the producer, the inspection of all produce so sold or consigned, and the owning or operating of storage ware houses and packing houses for produce, and generally to deal in all such materials, articles, or goods as in the opinion of the board of directors can be conveniently and advantageously dealt in by the corporation.

ARTICLE III.

Capital Stock.

Sec. I. The Exchange shall have a Capital Stock of \$100,000.00, divided into shares of \$5.00 each.

Sec. 2 Each stockholder shall be entitled to one vote for each share of stock held, but no one shall hold more than 5 per cent of the outstanding Capital Stock of the Exchange.

ARTICLE IV.

Officers.

Sec. 1. The officers of the Exchange shall consist of a Board of Directors, composed of not less than 11 nor more than 17 members, who shall be elected by the Stockholders at their annual meeting; President, Vice President, Secretary, Treasurer, General Manager, General Inspector, Auditing Committee of three, and Local Agents; there may be also an Assistant Manager, Assistant Secretary, Assistant Treasurer and Assistant General Inspector; these, and such other help as may be required shall be appointed

by the Board of Directors, except the Auditing Committee, which shall be appointed by the President.

ARTICLE V.

Term of Office, Etc.

Sec. 1 The term of office in all cases shall be for one year, viz.: from January 1st to December 31st, unless the office be otherwise declared vacant but the tenure of any officer shall continue until his successor has been duly elected or appointed as hereinafter provided.

Sec. 2. One person may hold two offices if elected thereto.

ARTICLE VI.

Meetings.

Sec 1. A regular meeting of the Stockholders shall be called annually at such time and place as the President or Board of Directors may direct. The President may call a special meeting at any time after due notice has been given.

Sec. 2. Regular meetings of the Board of Directors shall be held quarterly at such time and place as may be designated by the President. He may also call special meetings of said Board whenever in his judgment, or that of a majority of the Board, it may be deemed necessary.

ARTICLE VII.

Sec. 1. The Board of Directors shall have the full management of the active business of the Exchange. They shall authorize the method of inspecting produce, and the choice of markets to which produce may be shipped. They shall fix the salaries of all officers, inspectors, agents, and employees.

They shall have authority to remove any officer or employee for cause and shall fill any vacancy in such offices as the case may be.

ARTICLE VIII.

Sec. 1. The auditing committee shall examine the accounts of the Treasurer and report to the Board of Directors at the end of each quarter.

ARTICLE IX.

Sec. 1. A majority of the Directors shall constitute a quorum.

ARTICLE X.

Sec. 1. All Stockholders shall ship through the Exchange, and shall not be allowed to sell to outside competitors unless they receive not less than 5 per cent more than they would receive from the Exchange.

Sec. 2. Any member violating the above article shall be suspended from the rights and privileges of the Exchange until re-instated by the Board of Directors.

ARTICLE XI.

Amendments.

Sec. 1. All amendments to the Constitution shall be submitted in writing and lie over until the next meeting of the Board of Directors, and shall require a two-third's vote of all the members present to adopt same. It shall become effective at once and be submitted to the Stockholders at their next meeting for adoption or rejection.

BY-LAWS.

I. Duties of Officers.

Sec. 1. The President shall call all meetings of the Stockholders and of the Board of Directors, and preside over the same. He shall exercise a general supervision of the affairs of the Exchange, sign all Certificates of Stock, and notes, perform such other duties as may be imposed upon him by the Constitution and By-Laws, and shall be an ex-officio member of all committees.

Sec. 2. The Vice President shall perform the duties of the President in his absence.

Sec. 3. The Secretary shall keep the minutes of all the meetings and all the proceedings, whether of the meetings of the Stockholders, Board of Directors, or such other records as they may prescribe. He shall so conduct the correspondence of the Exchange that may be assigned to him.

Sec. 4. The Treasurer shall receive and be the custodian of all funds properly belonging to the Exchange. He shall pay all salaried officers, agents and employees, and all debts due by the Exchange, as directed by the Board of Directors. It shall be the duty of the Treasurer to receive daily from the Business Manager, the report from the Local Agents, and to preserve the same for future reference, and to require from all commission merchants doing business with the said Exchange a statement of all the business transacted with them through the Exchange at such times as he may deem advisable. He shall keep the financial records of the Exchange in business order, and his books be at all times open for the inspection of its officers and stock holders. He shall report to the General Manager all buyers who, in his judgment,

have not met their obligations, or to whom he thinks it inadvisable to extend further credit, and then the General Manager shall not sell to said direct buyer or buyers until the same have been satisfactorily adjusted, nor shall he sell to any party against the recommendation of the Treasurer. He shall give such bonds as the Board of Directors may require.

Sec. 5. The General Manager shall manage all produce in the custody of the Exchange, whether for consignment, sale or storage, and under the authority of the Board of Directors shall buy, sell, consign or store any such produce. It shall be his duty to advise Local Agents to whom to consign produce placed in the hands of the Exchange; to notify Local Agents every morning the prices at which goods from his station were sold on the day previous, and to see that such information is disseminated among members of the Exchange at the various shipping points; and he shall also transmit daily reports from Local Agents to the Treasurer in accordance with Section 4. He shall at all times endeavor to see that goods are properly inspected, and when information reaches him of any delinquency in inspection on the part of any Local Agent, he shall at once, either personally, or through the General Inspector, see that said delinquency is corrected. Said Manager shall keep a record of the total number of packages shipped each day from each shipping point, in books prepared for that purpose. And he shall report to each meeting of the Board of Directors each failure on the part of the Local Agent to report to him, or mail consignee daily invoice in accordance with Section 7. He is hereby empowered and it shall be his duty, for good cause, to suspend any Local Agent or Inspector until the next meeting of the Board of Directors. And upon such suspension, he shall satisfy

in writing the Local Agent or Inspector so suspended of the grounds of his suspension, and require him to appear before the Board of Directors at their next meeting to show cause why he should not be removed from office. Upon any such suspension, the General Manager, is further empowered to appoint some one to fill the vacancy created by such suspension until such agent or Inspector has been re-instated or his successor duly named. And further he shall perform such other duties as may be imposed upon him by the Board of Directors.

Sec. 6. The General Inspector shall supervise and direct the Local Agent at each shipping point as to the method of inspecting, grading and packing all produce to be handled by the Exchange; and shall see that the standard shall be maintained as near uniform as may be, both as to grade and package; and shall report any delinquency or malfeasance in office on the part of any Local Agent directly to the President. He shall further ascertain as far as possible all persons, whether manufacturers or purchasers of packages under the standard size, and see that they are prosecuted for manufacturing, dealing in, purchasing or using same. Said General Inspector shall visit each local point not less than once a month and at such times and places as he may be directed by the General Manager. He shall also report regularly to the Board of Directors and perform such other duties as may be required by said Board.

Sec. 7. Each Local Agent shall report daily to the General Manager all shipments made by his station on that day, the names of parties shipping, the number of packages and to whom consigned, or sold; said reports to be made in such manner as the General Manager may prescribe. Local Agents shall

receive the produce from its members and mark same with initials of grower on each package, after the same has been inspected and branded, and notify the General Manager of the number and kind of packages which he has for disposition. The Local shall, if the General Manager direct the produce to be consigned, mail to the consignee an invoice of the number of barrels, or packages consigned, together with the names of the persons who have furnished the produce, their respective post-office address and the number of packages each person has in the consignment, and the consignee shall make separate returns to each of such persons, after deducting five per cent (5 per cent) for the Exchange on all goods sent to Pier 29, New York, and three per cent (3 per cent) on all others which the consignee shall send to the Treasurer of the Exchange with a full statement of the source from which it arises. Said Local Agent shall keep an accurate record of all produce received by him, the date on which it was received, the disposition made of same, whether sold or consigned. Said records to be kept in such manner as the General Manager may require, and such record shall be open at all times to inspection to the shipper, or examination and verification by any individual sent out from the General Office. No Local Agent shall be permitted to buy on his own account for shipment or sale, and satisfactory proof of said Agent's buying for shipment or sale shall be deemed sufficient cause for suspension, or removal.

II. Brand.

Sec. 1. One or more regular brands shall be adopted by the Exchange for the marketing of produce handled by it.

Sec. 2. All packages for shipment through the Exchange after being inspected and graded shall be labeled "Monmouth County Farmers' Exchange," and if No. 1 grade, or better, shall be further labeled with the Triangle Brand, but in no case is the Triangle Brand to be used unless grade is No 1, or better. The grading, filling, and condition of packages shall be considered by the Inspector in determining the proper grade, but in no event shall any package receive the Triangle Brand unless it be of standard size and well filled. After produce has been delivered to the Exchange, inspected and branded, under no circumstances shall it be withdrawn from the control of the Exchange. If an agent shall report to the General office, for sale or consignment, any produce without its having first been duly inspected and branded with the Triangle Brand, if entitled thereto, then such act upon the part of said Agent shall be deemed sufficient cause for suspension and removal of said Agent. No produce shall be received, inspected, branded or reported to the General Office of the Exchange for sale, or consignment, except it be grown or owned by a stockholder of the Exchange in good standing and the violation of this provision shall be good and sufficient ground for the suspension and removal of said Inspector or Agent.

III. Amendments.

Sec. 1. These By-Laws may be amended by a two-third's vote of the Board of Directors.

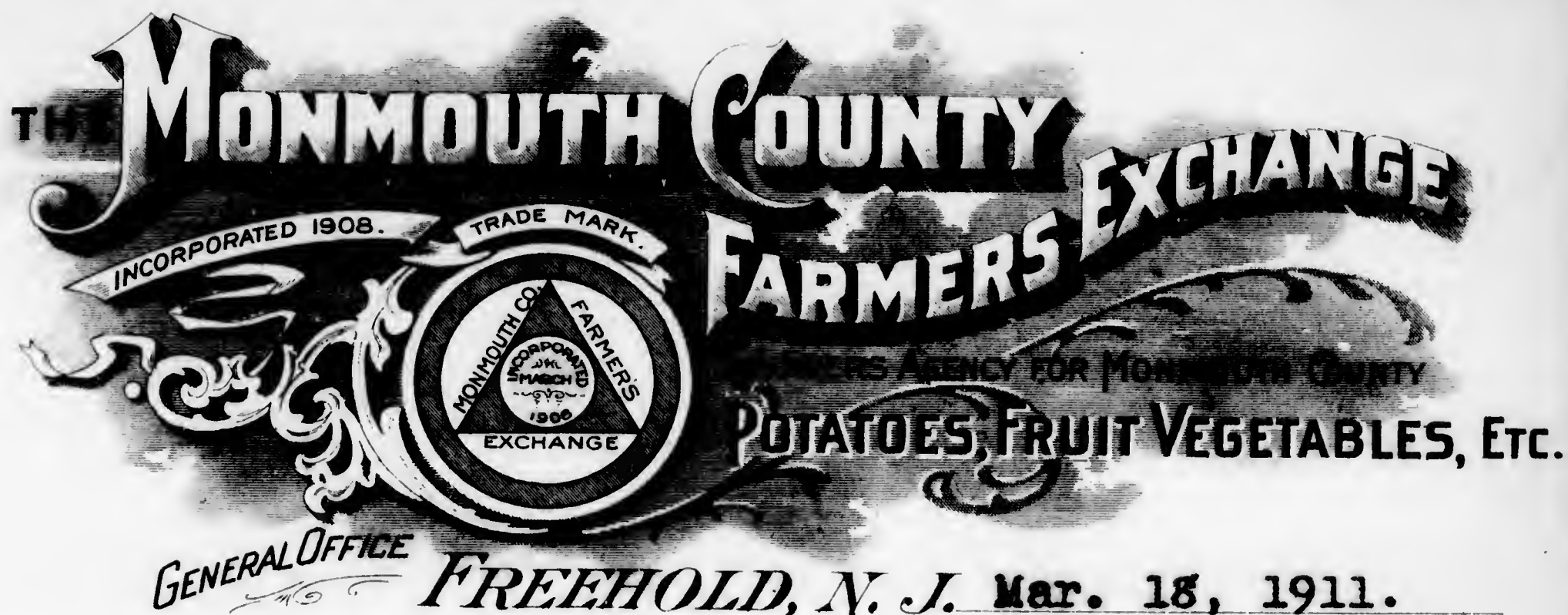
M. DENNIS, PRES.
INGLING, GENERAL MANAGER.

G. C. MC DOWELL, V. PRES.
REVISED ECONOMY CODE

J. N. JOHNSON, SECY.-TREAS.
H. W. BUCK, GENERAL INSPECTOR.

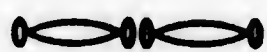


LONG DISTANCE TELEPHONE.
OPERATING AT 15 SHIPPING POINTS.



Letterhead of Monmouth County Farmers' Exchange showing Triangle Brand.
(See page 20)

THE LONG ISLAND Duck Growers' Association



W. H. MOTT, President, Eastport, N. Y.

A. J. HALLOCK, Vice-President, Speonk, N. Y.

W. C. ROGERS, Secretary and Treasurer, Remsenburg, N. Y.

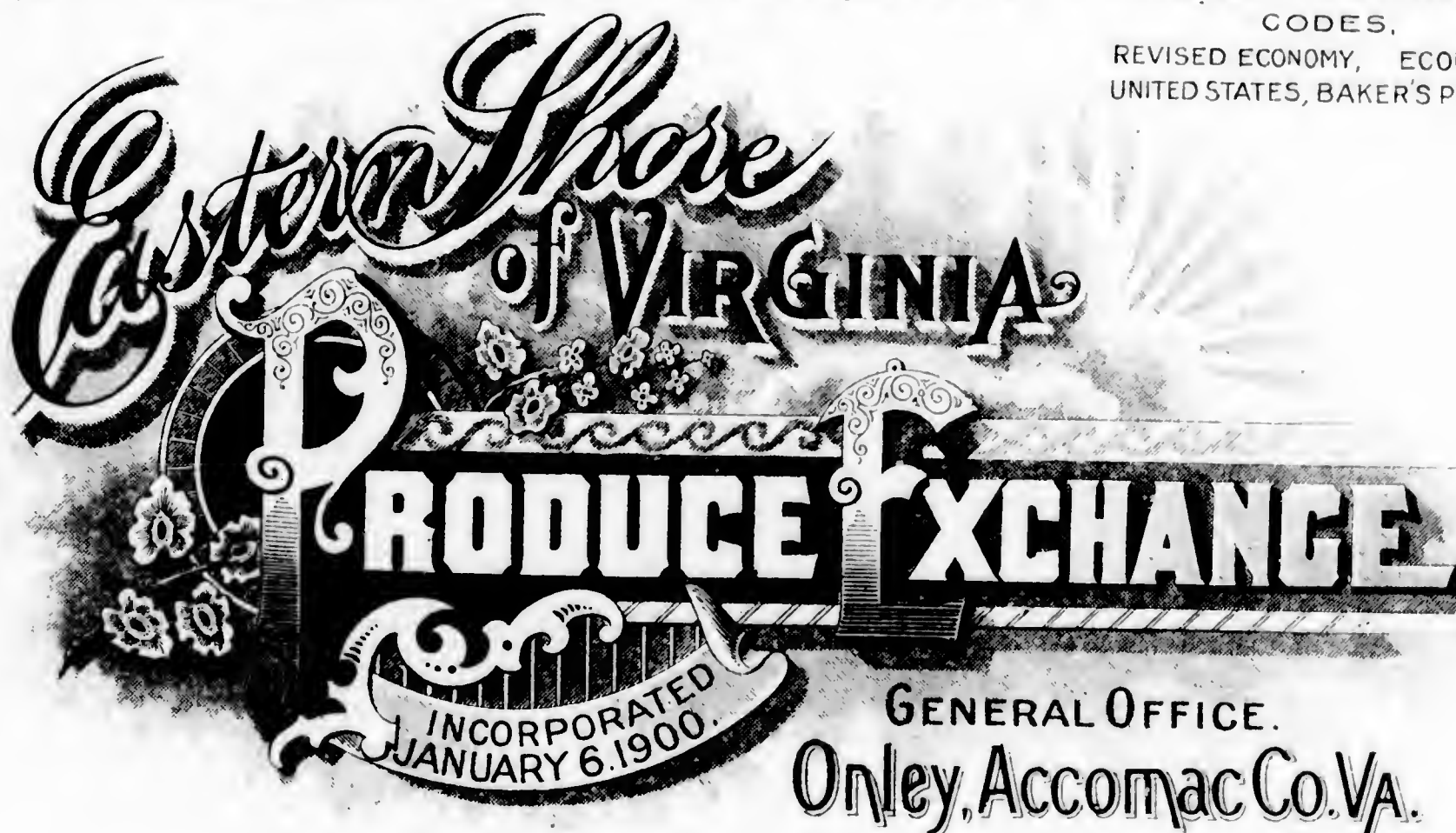
Remsenburg, N.Y., April 12 1911

Growers Agency for Eastern Shore Sweet and Irish Potatoes Berries Etc.

CODES,
REVISED ECONOMY, ECONOMY,
UNITED STATES, BAKER'S POTATO.



BENT GUNTER,
PRESIDENT.
ALBERT J. MCMATH,
SECRETARY & TREASURER.
W. A. BURTON,
GENERAL MANAGER



JOHN H. ROBERTS,
VICE PRESIDENT.
N. B. WESCOAT,
GENERAL COUNSEL.
W. B. PITTS,
GENERAL INSPECTOR.

Mar. 20, 1911.

Letter-head of Eastern Shore of Virginia Produce Exchange.
Note the striking Red Star Brand.

--Long Island Potato Exchange--

No better example could be given to show the spirit of cooperation that pervades Long Island industry than that of the Long Island Potato Exchange. It was organized in June 1906 and was at the time the only cooperative association of the kind in the state. Three or four prominent growers got together and decided that the farmers of the section could market their produce through an association owned and controlled by themselves, to better advantage than by selling to local buyers or consigning to the city. These men selected Suffolk County as the best place to start the movement. Meetings were held in various towns in the county at which speakers were present to lay the plans before the farmers in a clear manner. At each meeting a committee was appointed to solicit subscriptions for stock. When stock was sold to the amount of \$12,000.00 it was decided to organize. The organization made Riverhead its headquarters. The character of the organization is shown by the constitution and by-laws which follow later.

The conduct of the business is placed in the hands of a Manager and Board of Directors. The Directors elect two of their number to act with the President, General Manager and Sales Manager as an Executive Board which carries on the business. It is supposed that all stockholders will consign their product to the exchange and that the exchange will dispose of it in the city by selling and not consigning.

In each of the towns in which the exchange operates there is a loading station with an agent in charge who receives the products and takes the orders for supplies from the members. This agent is under bond. All the cash for supplies is paid to him and he receives and distributes from the headquarters the returns from the sales of produce.

A commission of five per cent is charged by the exchange both for buying and selling for its members. At the end of the year if money has been made a dividend is declared. The fertilizer end of the business may be taken to show how the exchange works in regard to supplies. A fertilizer committee is appointed and this committee makes a contract with some manufacturer for the amount needed. In 1910 the contract called for three thousand tons of the grades 4-8-7, 5-10-5, 5-8-7, and 6-8-5, which were supplied for from \$28.00 to \$30.50 per ton, a saving of from \$3.00 to \$5.00 per ton on retail rates.

As regards prices for potatoes received by the exchange, the Long Island farmers fared much better than did the growers of Maine and many other sections. The Long Island Farmer received \$1.65 per barrel for his product and the Maine growers about \$.80. On the Brooklyn and New York markets the Maine product sold for about \$1.50 per sack and the Long Island goods for \$2.00 to \$2.15.

We give below the constitution and by-laws of the exchange.

-- CONSTITUTION --

ARTICLE I.

Name.

The name of this Association shall be THE LONG ISLAND POTATO EXCHANGE and it shall be incorporated under the laws of the State of New York.

ARTICLE II.

Capital Stock.

1. It shall have a capital stock of \$20,000.00, divided into shares of \$5.00 each.
2. No one shall hold more than five per cent of the capital stock of this Exchange.

ARTICLE III.

Object.

1. To establish conditions whereby anyone desiring may buy Long Island produce true to name.
2. To develop our present markets and find new ones for all our products.
3. To ascertain the conditions of the crops throughout the season and furnish this information to the stockholders.
4. To secure pure seeds at as low a price as is consistent with the best quality.
5. To buy and sell or manufacture all kinds of supplies.
6. To buy and sell and consign all kinds of farm produce, and to establish uniform grades of the same.
7. To arrange for the transportation and handling of all produce in the best possible manner.
8. To own or lease and operate storage warehouse and packing houses for produce.

ARTICLE IV.

Officers.

The officers of this Exchange shall consist of a President, Vice-President, Secretary, Treasurer, General Manager, General Inspector and a Board of Directors. There may be also local boards, local agents and local inspectors.

ARTICLE V.

Term of Office.

The term of office in all cases shall be for one year, viz.: From June 1 to May 31, unless the office shall be otherwise declared vacant, but the term of any officer shall continue until his successor has been duly elected or appointed as hereinafter provided. One person may hold not more than three offices if elected thereto.

ARTICLE VI.

Directors and Local Boards.

A local board of five shall be elected for each shipping station by the stockholders registered at that shipping station and at the time of the election one of the members shall be recommended as the Director for that shipping station.

The Director shall call a meeting of the stockholders of a shipping station to elect a local board to represent that shipping point some time in the month of May and if he fails to do so one of the local board may call such meeting.

ARTICLE VII.

Other Officers and Employees.

All other officers and employees shall be elected by or under the direction of the Directors, after the annual meeting.

ARTICLE VIII.

Pay for Directors and Officers.

1. The Directors shall be paid \$3.00 and traveling expenses for each Directors' meeting they attend.
2. The amount of compensation for all other officers and employees shall be fixed by the Directors.

ARTICLE IX.

Liability of Stockholders.

Each member of this Exchange shall be liable only for the amount of stock which he owns in the corporation.

ARTICLE X.

Shipping through Exchange.

All stockholders are expected to sell through the Exchange unless they get five per cent more elsewhere.

ARTICLE XI.

Quorum.

A majority of the Directors shall constitute a quorum.

ARTICLE XII.

How Amended.

This constitution may be amended by having the proposed amendments submitted to the Board of Directors and after having been approved

by one-third of the total number of Directors at a regular meeting, it shall be submitted to the stockholders at a regular meeting for a final decision.

1. The main office of this Association shall be at Riverhead, Suffolk County, N. Y.
2. The annual meeting shall be held at Riverhead on the first Tuesday of June in each year.
3. Each member shall be entitled to one vote for each share of stock held by him at both the annual stockholders' meeting and the meetings to elect the local board. Every stockholder may be represented by proxy lawfully created.

- - BY-LAWS - -

Duties of Officers.

1. It shall be the duty of the President to preside at all regular meetings of the stockholders and Directors and he shall call special meetings of either the stockholders or Directors when requested to do so by at least three Directors.
2. He shall be an ex-officio member of all committees.
3. He shall sign all stock certificates and notes; see that all resolutions of the stockholders and Directors are carried out and have a general oversight of the affairs of the Exchange.
4. The Vice-President shall perform the duties of the President in his absence or incapacity
5. The Secretary shall keep the minutes of the Board of Directors and also the minutes of the meetings of the stockholders; he shall attend to the giving and serving of all notices of the Exchange; he shall sign all

certificates of stock signed by the President and shall affix the seal of the corporation to all certificates when signed by the President and Secretary. He shall have charge of the certificate book and all other books and papers that the Board shall direct. He shall attend to such correspondence as may be assigned to him and perform all the duties incidental to his office. He shall also keep a stock book containing the names, alphabetically arranged, of all persons who are stockholders of the corporation, showing ~~that~~ their places of residence, the number of shares of stock held by them respectively, the time when they became the owners thereof and the amount paid thereon.

6. The Treasurer shall receive and be the custodian of all funds and securities properly belonging to the Exchange. He shall deposit the same in the name of the Exchange in such bank or banks as the Directors may elect. He shall pay all salaried officers, agents and employees and all debts due by the Exchange as directed by the Board of Directors. He shall sign all notes which shall be countersigned by the President. He shall countersign all checks, drafts and orders for the payment of money drawn and signed by the Manager. It shall be the duty of the Treasurer to receive daily from the Business Manager the reports from the local agents and to preserve the same for future reference and to require from all commission merchants doing business with the Exchange a statement of all business transacted with them through the Exchange at such times as he may deem advisable. He shall keep the financial records of the Exchange in business order and his books be at all proper times open for the inspection of its officers and stockholders. He shall report to the General

Manager all buyers who in his judgment have not met their obligations, or to whom he thinks it inadvisable to extend further credit. He shall give such bonds as the Directors may require.

7. The General Manager shall manage all produce placed in the custody of the Exchange, whether for consignment, sale or storage, and under the authority of the Board of Directors shall buy, sell, consign or store any such produce. It shall also be his duty to advise local agents to whom to consign produce placed in the hands of the Exchange; to notify local agents every day or as much oftener as conditions require, the condition of the markets and the prices at which goods from his station were sold on day previous and to see that such information is disseminated among the members of the Exchange at the various shipping points, and he shall also transmit daily report from local agents to the Treasurer in accordance with Article 6 of By-Laws. He shall at all times endeavor to see that goods are properly inspected and graded. The said General Manager shall sign and execute all contracts in the name of the Exchange when authorized so to do by the Board of Directors. He shall draw all checks, drafts and orders for the payment of money which shall be countersigned by the Treasurer. He shall endeavor to carry out in the best possible manner the object of this Exchange as outlined in Article 3 of the Constitution. The General Manager shall not sell or extend credit to anyone against the advice of the Treasurer and President. Said General Manager shall also keep a record of the total number of packages of goods shipped each day from each shipping point in books prepared for that purpose and he shall report to each meeting of the Board local agents to report to him or mail to the consignee daily invoice in accordance with Article 11 of the By-Laws. He is

hereby empowered and it shall be his duty for good cause to suspend any local agent or inspector until the next meeting of the Board of Directors, and upon such suspension he shall notify in writing the local agent or inspector so suspended of the grounds of his suspension and require him to appear before the Board of Directors at their next meeting to show cause why he should not be suspended from office. The General Manager shall appoint an agent or inspector to fill the place temporarily, and further he shall perform such other duties as may be imposed upon him by the Board of Directors. The General Manager shall be required to give bonds in such sums as the Directors may fix.

6. The General Inspector shall supervise and direct the Local Inspectors at each shipping point as to the method of inspecting, grading and packing all produce to be handled by the Exchange, and shall see that the standard shall be maintained as near uniform as may be, both as to grade and package, and shall report any delinquency or malfeasance in office on the part of any Local Inspector directly to the Manager. He shall further ascertain as far as possible all persons, whether manufacturers or purchasers of packages under the standard size and see that they are prosecuted for manufacturing, dealing in, purchasing, or using same. Said General Inspector shall visit each local point not less than once a month and at such other times and places as he may be directed by the General Manager. He shall also report regularly to the Board of Directors.

7. The Board of Directors shall have the full management of the active business of the Exchange. They shall authorize the method of inspecting produce, and the choice of markets to which produce may be shipped. They shall fix the salaries of all officers, inspectors, agents and employees. They shall have authority to remove any officer, or employee, for cause and shall fill any vacancy in such offices temporarily by appointment untill filled by the

stockholders, or Local Board, as the case may be. It shall be the duty of the Directors to establish regular brands and have a trade-mark for the same.

10. The duties of officers of Local Exchanges shall be as follows: Local Boards shall look after the interests of the Exchange in their particular neighborhood, use all their influence to induce growers of produce and land owners to take out stock in the Exchange, and report to the superior officers of the Exchange any defects apparent to them in the management of the business of the Exchange.

11. Each local agent shall report daily to the General Manager all shipments made by him from his station on that day, the names of parties shipping, the number of packages, and to whom consigned or sold; said reports to be made in such manner as the General Manager may prescribe. Local agents shall receive the produce from its members, their tenants and others, and when in packages to mark same with the initials of the consignor, or seller, or some other known mark. When the produce is received in bulk the local agent will make note on the weight slip the grade and condition of such produce.

Local Agents will purchase produce for the Exchange only when authorized to do so by the General Manager or his assistants and only at such price or prices as he may name.

Said Local Agent shall keep an accurate record of all produce received, the disposition made of same, whether received on consignment or purchased, whether sold or consigned, and if sold, at what price, and when the returns for said goods were received from the Secretary and Treasurer of the Exchange and when paid to the shipper, said records to be kept in a book to be furnished by the General Office and shall be open at all times to the

shipper for his inspection, and further, the said local agent shall produce said book for the inspection, examination and verification by any individual sent out from the General Office.

Said Local Agent shall deposit all funds received by him from the Exchange in some bank to his credit as agent for the Exchange and shall immediately pay the same over to the party entitled to same and enter the price and date of payment in the book above provided for.

No Local Agent shall be permitted to buy on his own account for shipment, or sale, and satisfactory proof of said Agent's buying for shipment, or sale, shall be deemed sufficient cause for suspension or removal.

No package shall be branded with the Exchange Brand, until inspected by the Inspector or one of his Assistants, and only then as he may prescribe.

Local Agents will bill all goods in the name of the Long Island Potato Exchange affixing their own initials.

Committees.

12. The following Standing Committees shall be elected:

An Executive Committee to co-operate with the General Manager and act for the Exchange until the next meeting of the Board of Directors.

A Finance Committee to have general supervision of the finances of the Exchange and shall have power to hire money for the use of the Exchange.

An Auditing Committee to go over the accounts of the Treasurer at least twice a year and report to the Directors at the annual meeting, and the first Directors' meeting after the first of January and at such other times as the Directors may require.

STOCK HELD BY LONG ISLAND POTATO GROWERS.

OPERATING AT 18 SHIPPING POINTS.

AND LONG DISTANCE TELEPHONES.

LONG ISLAND

CODES USED
BAKERS,
REVISED ECONOMY.



POTATO EXCHANGE,
POTATOES, VEGETABLES, ETC.

MAIN OFFICE *RIVERHEAD, N.Y.*



MANAGE,
PRESIDENT.
ST. OSBORNE,
V. PRESIDENT.
BREE,
GEN. MANAGER.
ROBINSON,
SEC. & TREAS.

OFFICE
ABOUT MARKET.

C. OWINGS, PREST.
ED. F. WETSTEIN, 1ST VICE PREST.

H. R. WHITESIDE, GEN. MGR. & TREAS.

HENRY DEIBEL, 2ND VICE PREST.
S. EDW. VOGHT, SECY.



CRESCENT BRAND

THE JEFFERSON COUNTY PRODUCE EXCHANGE

INCORPORATED

LOUISVILLE, KY.,

Mch 24; 1911

ORLANDO HARRISON, PRESIDENT.
E. E. NOCK, VICE PRESIDENT.

WINTER C. CULLEN, SECY-TREAS. AND GENERAL MGR.
HARRY W. MERRILL, SALES MANAGER.

PRODUCERS AGENCY FOR
POTATOES, BERRIES,
PEACHES, MELONS &c.



PENINSULA
PRODUCE EXCHANGE
OF MARYLAND.
INCORPORATED

CODES:
MODERN ECONOMY,
REVISED ECONOMY,
BAKERS POTATO-UNITED STATES.

OPERATING AT 40 SHIPPING POINTS.

GENERAL OFFICE:
POCOMOKE CITY, MD.

Pocomoke City, Md. April 11/11.

Some examples of well designed letter-heads of Eastern
Cooperative Associations.

TIGHT BINDING TEXT CUT OFF

13. These By-Laws may be changed by a two-thirds vote of the Board of Directors.

Jefferson County (Kentucky)
Produce Exchange.

A cooperative marketing project in the making is to be seen in the Jefferson County Produce Exchange with headquarters in Louisville, Kentucky. This is a case where the farmers were almost forced into a plan of cooperative marketing to save total or almost total loss in their crop.

In October, 1910, it was found that the output of this section would be about two thousand cars of potatoes and five hundred cars of onion sets. This was much in excess of the amount of these products that could be disposed of in the channels then open to the growers. The local dealers were afraid to buy and store in large quantities and had, consequently, withdrawn from the market. Much of the produce was in the open field liable to be spoiled by bad weather. With affairs in this condition a number of the growers went to Mr. H. R. Whiteside, a dealer of high standing in Louisville, and asked him to become general manager and treasurer of a farmers' produce exchange.

The plan suggested and carried out by Mr. Whiteside was somewhat different than that followed in the instances described before. It was decided that the best way to handle the business for a time at least was in Mr. Whiteside's name. He had handled the bulk of the crops heretofore and was well and favorably known to the trade. This made his name a very valuable asset.

The association rented three warehouses and began buying the crops from the members and also non-members outright. They began by paying

members \$1.00 per barrel more for onion sets and \$.25 per barrel more for potatoes than the local dealers were offering. The men outside the organization received the same prices as the dealers were paying, which was 22-30% less than what members were paid.

It was soon apparent, however, that some members were not acting in good faith. It was stated at all the general meetings of the stockholders that the exchange did not need the sets and potatoes but was taking them in to keep them off the market when there was no demand and to protect those who were not in a position to take care of their own goods, also to furnish money to those who had to sell even if they had storage facilities. Some members in good financial standing, who could store conveniently, also hauled freely. To stop this the association was forced to limit the amount of goods that could be hauled in proportion to the stock owned. This solved the difficulty and the object sought, to keep the surplus off the market at a time when there was no demand, was accomplished.

The work of the exchange, however, was only half accomplished. There were more goods on hand than could be marketed through the old sources. Some effective advertising was needed. Space was purchased in several of the best trade journals, articles were written extolling the hitherto unknown virtue of the Kentucky-grown second crop seed potatoes and onion sets. Traveling men were sent into widely scattered sections of the country, who spread the information that Jefferson County had these goods to offer and that they were going to grade them better than had ever been done before.

The results were highly satisfactory. All the second crop Cab-
ler potatoes were sold at \$. 50 per barrel more than would have been realized
without the organization. The onion sets brought to the growers double
what they would have gotten had they put them on the market individually.
Cash was paid upon delivery and the profit obtained over the market price was
later distributed among the cooperators.

--- Other Eastern Associations ---

Many other associations, as successful as the ones described,
exist in the East. One of the oldest is the Eastern Shore of Virginia Pro-
duce Exchange, incorporated in 1900. In 1909 it shipped 1,400,000 packages,
barrels of potatoes and crates of berries, comprising sixty five to seventy
per cent of the total output of the two "Eastern Shore" counties. Because of
the exchange, truck gardening has become profitable on the Eastern Shore. Cul-
tivation of Irish potatoes has been encouraged until as many Irish as sweet
potatoes are now grown. Farm land has trebled in value.

One strong feature of the Eastern Shore of Virginia Produce
Exchange is the fact that it maintains the open door for every Eastern Shore
farmer. The association has some shares of treasury stock which it sells
at \$15.00 per share. To the truck farmer who does not care to invest \$15.00
in a share of stock, the exchange will sell a "shipping--privilege" for
\$1.00. This entitles him to market his produce through the association the
same as a member but does not give him a vote in stockholders' meetings or any
dividends that are declared on the stock of the Exchange.

The Burlington County Farmers' Exchange of New Jersey, with headquarters at Mt. Holly, New Jersey, was organized in 1910. The plan of the exchange is to do no business for any one except members. It charges five per cent for buying and five per cent for selling. The manager receives a salary of \$3000.00 per year. Its market already include all parts of the United States, and cities in Canada and Cuba.

Other successful cooperative associations of the east are:-

The Peninsula Produce Exchange of Pocomoke City, Maryland; Delaware Produce Exchange, Dover, Delaware; South Jersey Farmers' Exchange, Woodstown, New Jersey; Long Island Cauliflower Exchange, Riverhead, Long Island; Long Island Duck Growers' Association, Speonk, Long Island.

-- Western Associations. --

The West has been even more active in cooperative organization than the East. The movement includes growers of apples, strawberries, bush fruits, nuts, prunes, grapes, citrus and other fruits. The Hood River Apple Growers' Union is a typical example of these western associations. This organization was formed in 1901 when Hood River apples were bringing \$.75 to \$1.00 per per box for the grower and were costing the consumer \$3.00 to \$4.00 per box. The growers are now realizing over \$2.00 per box on the average for their fruit.

The association owns a warehouse with a capacity of 20,000 boxes, fitted with an ammonia process cold storage system. The union charges ten per cent for handling the crop; the surplus, after expenses are paid, goes into a sinking fund to retire the bonds issued when the warehouses were built. The business is done on a practically cash basis. A sight draft with

bill of lading attached is given with each shipment and this is handled thru the local banks.

The fruit is picked by the growers but all packing is done by professional packers employed by the association who go from orchard to orchard. The name of the association and that of the grower along with the name of the variety, the grade of the fruit and the number of apples in the box are placed on each package. Only two grades of fruit, fancy and choice, are boxed. The standard for fancy is so high that the smallest blemish throws an apple out. The strict adherence of the unions to these exacting rules as to grading has largely determined their success. A box that is absolutely uniform and always to be relied upon is the result.

This is only one of the many western unions in successful operation. A few of the other leading associations of the West are located as follows: Medford Fruit Growers' Union, Medford, Oregon. Yakima County Horticultural Union, North Yakima, Washington. Wenatchee Fruit Growers' Union, Wenatchee, Washington. Southern Idaho Fruit Shippers' Association, Boise, Idaho. Payette Valley Apple Growers' Union, Payette, Idaho. Bitter Root Fruit Growers' Association, Hamilton, Montana. Palisade Fruit Growers' Association, Palisade, Colorado. Grand Junction Fruit Growers' Association, Grand Junction, Colorado.

Chapter III.

--Conclusion--

We have shown in the foregoing pages that cooperative marketing is founded upon sound principles, that it is no fictitious cure for all the evils of our economic system, and that it has worked successfully in many instances in various parts of the country. We are concerned now to know what shall be the future of the institution.

It is of no little significance that two independent movements looking to the extension of cooperative marketing should have been instituted on opposite sides of our country at practically the same time. During Farmers' Week at Cornell in the winter of 1910-1911 there was perfected an organization to be known as the New York State Vegetable Growers' Association, with C. R. White, of Ionia, New York, as president.

This association is to be investigated along lines of better marketing methods and to come to some conclusion as to the nature of the plan best to adopt. The want in the start to induce all farmers' associations in the state, such as have been here described, to associate themselves with the organization by paying an annual membership fee of \$5.00. With the money so accumulated it is the plan to place an organizer in the field who can interest other growers in the plan and eventually organize all farming communities in the state.

The sister movement to the above was started in Oregon. It is a plan to create a central selling agency for all Northwest fruits. Mr. H. O.

Stechhan in "Better Fruit" for April, 1911, says: "No movement among any body of men engaged in soil culture ever undertaken heretofore promises to have such far-reaching beneficial effects all around as the projected organization of the fruit growers of Washington, Oregon, Idaho and Montana, for the handling of their crops through one central selling agency." No improper methods of control are contemplated which might be construed to operate in restraint of trade. The whole purpose is to create a system of distribution that will eliminate disastrous competition among those whose interests are identical, thereby putting the horticultural industry of the Northwest on a sound basis in accordance with its just deserts.

There is at present no means of obtaining definite information upon the crops produced in the region and a central organization of the sort proposed would collect such data and place it at the disposal of all persons connected with the business. If the plans materialize this association will be equipped to handle the business in an up-to-date way and it will employ the best sales and traffic managers that money can procure. Some districts have held back because of the largeness of the problem but the organizers feel confident that there is nothing too big for an intelligent organization.

We have demonstrated that cooperative marketing is firmly established as one of our economic institutions. We have not tried to prove that it is a solution to all the abuses of transportation, stock marketing gambling, and the similar evils. This problem is an economic one, not to be solved by the agriculturist himself. What we have tried to show is that cooperative marketing has been a real factor in the agricultural advancement of America.

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 Personal letters from
 H. R. Whiteside, General Manager and Treasurer,
 Jefferson County Produce Exchange, Louisville
 Albert J. McMath, Secretary and Treasurer,
 Eastern Shore of Virginia Produce Exchange, Onley,
 C. E. Embree, Sales Manager,
 Long Island Potato Exchange, Riverhead, N. Y.
 W. H. Ingling, General Manager,
 Monmouth County Farmers' Exchange, Freehold, N. J.

**End of
Title**